increased from Rs. 1,17,325 crore in January 2006 to Rs. 2,02,487 crore in January 2007. The assets under management of Foreign Institutional Investors (Flls) increased from Rs. 3,84,491 crore to Rs. 5,81,087 crore during this period. The notional value of PNs as a percentage of assets under management of Flls has increased from 30.5% to 34.8% during this period.

(c) The securities and Exchange Board of India have informed that there is no evidence with them to support such a conclusion.

(d) There are systems and mechanisms in place to deal with different aspects of illegal flow of money. The Unlawful Activities (Prevention) Act, 1967 as amended in September, 2004 has provisions to combat financing of terrorism. The Foreign Contribution (Regulation) Act,1976 (FCRA), also regulates and monitors receipt and use of foreign funds by the recipients. The Foreign Exchange Management Act, (FEMA) has provisions to deal with cases of unauthorized transfer of foreign exchange including through hawala. The Prevention of Money Laundering Act and the Financial Intelligence Unit (FIU-IND) have also come into effect. The security and law enforcement and revenue agencies are sensitized from time to time to pursue an inter-agency approach to detect channels and use of funds received by terrorist groups.

At the international level, India is a member of Asia Pacific Group (APG) on Anti-Money Laundering and Combating of Financing of Terrorism and has Observer status in the Financial Action Task Force (FATF).

**Financial crunch at HCL**

*307. SHRIMATI N.P. DURGA: Will the Minister of HEAVY INDUSTRIES AND PUBLIC ENTERPRISES be pleased to state:

(a) whether Government are aware of the financial crunch that the Hindustan Cables Limited in Andhra Pradesh is facing;

(b) whether it is a fact that employees are also not being paid their salaries regularly;

(c) whether the State Government of Andhra Pradesh has requested his Ministry to persuade Ministry of Communications and Information Technology for some orders of cables, etc;

(d) if so, what the Ministry has done in this regard;

(e) whether NT, Kharagpur, proposed for taking up some diversification activities of HCL; and

(f) if so, the details thereof and the reasons for the Ministry not approving the same?

THE MINISTER OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES (SHRI SONTOSH MOHAN DEV): (a) to (f) Hindustan Cable Limited (HCL), Kolkata is a Central Public Sector Enterprises and has been making losses since 1996. It has units at Rupnarainpur (West Bengal), Hyderabad (Andhra Pradesh) and Naini (Uttar Pradesh). The production operations in all the units are suspended for last three years due to, *inter-alia,* higher cost of production and steep fall in demand, because of which company is facing severe financial crunch. Consequently, HCL is not able to pay salary to its employees and has been dependent on budgetary support from Government for payment of salaries, Government has approved release of funds to HCL for payment of salary and wages to its employees upto December 2006.

In response of the request to the Department of Telecommunication (DoT) made in September 2004 for placing orders on HCL, DoT expressed its inability to place additional orders, since HCL already had an outstanding order of 18.4 lakh conductor kilometer cable which it has not been able to deliver despite having received an advance of Rs. 239.78 crore from Bharat Sanchar Nigam Ltd. (BSNL). It has become difficult for HCL to manufacture the main line product namely Polythene Insulated Jelly Filled cables and Optical Fiber cables, as even the variable cost of production (cost of raw materials, power and freight) is higher than the price of cable offered by BSNL.

HCL commissioned a tech no-economic study through NT Kharagpur which submitted its report in November 2004. The study proposed diversification in unrelated products and alternate products with an additional capital investment of Rs. 194 crore in two phases over a period of 5-7 years for modernization and upgradation of equipments according to the diversification plan, over and above Draft Revival Scheme of Rs. 1448 crore submitted by M/s. SBI Caps, the Operating Agency appointed by BIFR. IIT Kharagpur in its report had mentioned the names of the alternative products like power cables. The IIT study Report was discussed in the meeting of Board for Revival of Public Sector Enterprises

(BRPSE) in September, 2006 and it was observed that in the absence of any detailed feasibility study as to the demand of the product, the competition in the market place, the production capacities required for breakeven levels and the capacity of HCL to compete, a decision on the proposed strategy could not be taken.

On the recommendations of BRPSE a fresh detailed techno-economic feasibility study of HCL has been commissioned with IIT Kharagpur on 17.01.2007 which is to be completed in four months.

**Motors fuels under VAT**

*308. SHRIMATI HEMA MALINI: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact Government have received representation from oil industry for bringing motor fuels under VAT as this will enable to reduce the burden of flaring crude prices on common man;

(b) whether it is also a fact that the VAT regime will enble to reationalise the varying State taxes; and

(c) if so, by when it is expected to be implemented?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MURLI DEORA): (a) to (c) Yes, Sir. As per Constitution, levying of tax on sale or purchase (including VAT) of Motor Fuels comes within the purview of State Governments. An Empowered Committee of State Finance Ministers (EC) has been constituted, *inter-alia,* to deliberate upon matters concerning Sales Tax and to make recommendations to the States in matters concerning Sales Tax/VAT. Accordingly Petroleum Federation of India (Petrofed) on behalf of Oil Gas Industry had made a representation in July 2005 to the Chairman of Empowered Committee of State Finance Ministers on VAT for giving the benefits of full set-off and credit mechanism available under VAT to the petroleum sector. As per the EC recommendations, petrol, diesel, Aviation Turbine Fuel (ATF) and other motor spirits are subject to 20% floor rate of tax and have been kept outside VAT *(i.e.* non-vatable). The EC or the State Government have not taken any decision to bring motor spirits under VAT.